

## Corporate Credit Rating

New  Update

Sector: Industrial Fabric & Composite Technologies

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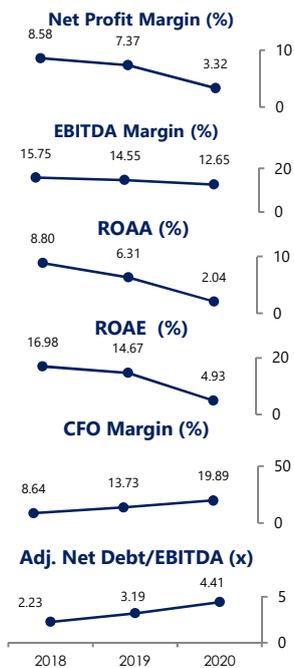
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### RATINGS

		Long Term	Short Term
National	Local Rating	<b>AA+ (Trk)</b>	<b>A-1+ (Trk)</b>
	Outlook	Stable	Stable
	Issue Rating	-	-
International	Foreign Currency	BBB+	A-2
	Local Currency	BBB+	A-2
	Outlook	FC Stable	Stable
	LC	Stable	Stable
Sponsor Support	Stand-Alone	1	-
	Stand-Alone	A	-
Sovereign*	Foreign Currency	BB+	-
	Local Currency	BB+	-
	Outlook	FC Negative	-
	LC	Negative	-

\*Assigned by JCR on April 10, 2020



## Kordsa Teknik Tekstil A.Ş.

JCR Eurasia Rating evaluated “**Kordsa Teknik Tekstil A.Ş.**” (referred to as ‘the Company’ or ‘Kordsa’) in investment level category and assigned the Long-Term National Note at ‘**AA+ (Trk)**’ and the Short-Term National Note at ‘**A-1+ (Trk)**’ with a ‘**Stable**’ outlooks. The Long Term International Foreign and Local Currency ratings and outlooks were also assigned at ‘**BBB+/Stable**’.

**Kordsa** was established in 1973 as a subsidiary of Hacı Ömer Sabancı Holding A.Ş. (“Sabancı Holding”) in İzmit. The Company mainly focuses on tire reinforcement, composite and construction reinforcement technologies and provides input many industries such as automotive, aviation, aerospace, maritime, rail systems and construction of infrastructure and superstructure. Kordsa is a global player thru 12 factories in 5 countries and across 4 continents. The Company conducts its tire reinforcement manufacturing operations with 7 factories in Thailand (1), Indonesia (2), Brazil (1) and USA (2) and Turkey (1); and has composite reinforcement manufacturing operations in USA (4) and Turkey (1). Also, there are 2 R&D centers for both of these business lines in Turkey (Teknopark İstanbul and İzmit Plants). Kordsa, which generated consolidated sales revenues of TRY 4.54bn as of FYE2020, circa 95% of which was from its overseas operations. The Company employs approx. 4,500 employees. The Company’s main shareholder is Sabancı Holding with a rate of 71.11% as of report date. Kordsa shares have been traded on Borsa İstanbul Index (BIST) since 1986 with a free-float rate of 28.89% under ticker-name of “KORDS”.

Key rating drivers, as strengths and constraints, are provided below.

#### Strengths

- Being a global player with a strong market presence through its factories in 5 countries and across 4 continents
- The company strategies focused on high-value adding innovative product development supported by strong R&D facilities
- Potential to strengthen in the global composite market with the support of the Composite Technologies Center of Excellence and potential M&A monitored by management
- Natural hedging opportunity derived from hard currency denominated revenues
- Sustainable financial leverage profile

#### Constraints

- Limited decrease in operational profitability ratios between 2020-2019, despite strong Q1’21 financial results
- Covid-19 outbreak creating vagueness on global and local economic activity

Considering the aforementioned points, the Company’s the Long Term National Rating has been assigned at ‘**AA+ (Trk)**’. The Covid 19 pandemic had a negative impact on the industry where the company provided intermediate good input, especially the automotive and aerospace industry, and this caused a limited decrease in the Company’s profitability margins in 2020. However strong financial results of Q12021, sustainable financial leverage, equity structure and steady profitability ratios has been evaluated as important indicators and the outlooks for long and short term national ratings is determined as ‘**Stable**’. The Company’s profitability performance, asset quality, equity structure and continuing impacts of Covid-19 are to be monitored by JCR Eurasia Rating.

The Company’s main shareholder, Sabancı Holding (71.11%), is among the most reputable groups in Turkey. The Group specialized in the fields of banking, energy, retail, financial services, cement along with various industries and had a consolidated asset size of TRY 542bn as of Q12021. When considered from this point of view, the main shareholder is considered to have the willingness and experience to ensure long-term liquidity and equity when required and to provide efficient operational support to Kordsa. In this regard, the Company’s Sponsor Support Grade has been assigned at **(1)**, denoting high level of external support in JCR Eurasia Rating’s notation system. The Company’s ‘Stand-Alone Rating’ has been constituted with respect to the Company’s market shares, growth rates, asset quality, equity structure, risk management practices, and the development of existing risks in the markets and business environment by using its internal sources. In this context, the Stand-Alone grade of the Company has been assigned at **(A)** in the JCR Eurasia Rating notation system.